

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 5972

C O N F I D E N T I A L SANTIAGO 4754

EXDIS

E.O. 11652: XGDS

TAGS: CI, PFOR

SUBJECT: COPPER

REF: SANTIAGO 4753

1. WHEN RICARDO CLARO CAME BY TO SEE ME PRIVATELY TODAY ABOUT FONMIN HUERTA'S VISIT TO THE U.S. (REFTEL), HE ALSO RAISED THE COPPER QUESTION. HE ASKED ME IF I THOUGHT THE USG WOULD WANT TO TALK ABOUT THIS QUESTION WITH FONMIN HUERTA DURING HIS TRIP. I RESPONDED BY ASKING CLARO WHAT HE THOUGHT HUERTA'S DESIRES WERE. HE

SAID HUERTA HAS NOT YET HAD A CHANCE TO STUDY THE QUESTION IN DETAIL AND IT WILL TAKE HIM ABOUT A MONTH TO MASTER THE SUBSTANTIVE QUESTIONS INVOLVED. HUERTA WOULD BE HAPPY, HOWEVER, TO TALK ABOUT THE QUESTION IN A GENERAL WAY IF SOME PRELIMINARY DISCUSSION IS DESIRED BY US. CLARO SAID HUERTA HAS ALREADY COME TO THE CONCLUSION THAT "ELEMENTARY NATURAL JUSTICE" WILL REQUIRE THE CHILEAN GOVERNMENT TO PAY COMPENSATION.

2. CLARO SAID HE, HUERTA, AND ORLANDO SAENZ FORM THE CHILEAN GOVERNMENT WORKING GROUP AT THE POLICY LEVEL ON COPPER. THERE IS ALSO A FIVE-MAN GOC LEGAL TEAM WHICH IS CARRYING FORWARD CHILE'S DEFENSE IN THE VARIOUS COPPER SUITS. NOVOA HAS BEEN DISCHARGED, AND RICARDO RIVADENEIRA HAS TAKEN HIS PLACE. THE OTHER KEY MEMBERS OF THE LEGAL TEAM ARE GUILLERMO PUMPIN OF THE COUNCIL FOR THE DEFENSE OF THE STATE, (WHO HAS JUST DEPARTED SANTIAGO FOR NEW YORK) AND EUGENIO VALENZUELA. CONFIDENTIAL

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THE NAMES OF TWO OTHER MEMBERS CLARO DID NOT REMEMBER, CLAIMING THEY WERE OF LESSER IMPORTANCE.

3. SO FAR AS CERRO IS CONCERNED, THE GOC IS

ANNOYED AT ENRIQUE PUGA AND CERRO FOR HAVING GONE AS FAR AS THEY DID IN WHAT CLARO DESCRIBED AS AN "UNDER THE TABLE" ARRANGEMENT WITH THE ALLENDE GOVERNMENT (I.E. A BRIBE). THE CHILEANS HAVE ALL THE DOCUMENTS. THEY THINK WHAT MAY BE NECESSARY WILL BE TO "FIDDLE WITH THE ARRANGEMENT A BIT", AND COME UP WITH A FORMULA WHICH CAN BE SOLD PUBLICLY AS A SLIGHT IMPROVEMENT FOR CHILE OVER THE DEAL MADE BY ALLENDE AND HIS MEN. CLARO NOTED THAT HE WOULD HAVE TO STAY STRICTLY AWAY FROM THE NEGOTIATIONS WITH CERRO, AS HIS OWN BROTHER, JAIME CLARO, IS A CERRO VICE-PRESIDENT.

4. SO FAR AS KENNECOTT IS CONCERNED, THE GOC HAS ALREADY BEEN IN TOUCH WITH MICHAELSON. WHAT THE GOC WOULD LIKE IS FOR BOTH SIDES TO REQUEST A THIRTY DAY POSTPONEMENT OF THE HEARING WHICH TAKES PLACE IN ROME ON OCT.3. APPARENTLY MICHAELSON SUGGESTED THAT THE GOC REQUEST THE POSTPONEMENT, THAT KENNECOTT REAMIN SILENT, AND THAT THE JUDGE DECIDE. CLARO SAID THIS SOMEWHAT UNCOOPERATIVE ATTITUDE FROM MICHAELSON WAS UNFORTUNATE. GOOD WILL EXISTS WITHIN THE GOC TO FIND AN AMICABLE SOLUTION, AND A KENNECOTT ATTITUDE OF UNDERSTANDING AND COOPERATION COULD BE OF GREAT IMPORTANCE IN THIS FORMATIVE TIME. CHILEAN PRACTICE IN SUCH MATTERS LEADS THE GOC TO EXPECT A WILLINGNESS ON KENNECOTT'S PART TO GO JOINTLY TO THE COURT WITH A REQUEST FOR A BRIEF DELAY. CLARO ASKED IF WE COULD GET IN CONTACT WITH KENNECOTT PRIVATELY, AND SEE IF THE VIEW MICHAELSON EXPRESSED IS REALLY KENNECOTT'S FIRM POSITION. CLARO ALSO SAID THAT HUERTA WOULD BE HAPPY TO MEET PERSONALLY AND PRIVATELY WITH MILIKAN AND/OR SENOR KENNECOTT EXECUTIVES WHEN HE IS IN NEW YORK. CLARO SAID HE OR SAENZ COULD MEET WITH SECOND LEVEL KENNECOTT PEOPLE IF THIS WAS PREFERRED. CLARO THOUGHT, HOWEVER, THAT A MEETING WITH HUERTA MIGHT BE A GOOD IDEA IN ORDER TO ESTABLISH PERSONAL RAPPORT AND SO THAT HUERTA COULD SEE THAT KENNECOTT'S TOP MANAGEMENT IS NOT UNFRIENDLY.

5. CLARO SAID HUERTA OR OTHER MEMBERS OF THE CHILEAN DELEGAION WOULD ALSO BE HAPPY TO MEET WITH PLACE, QUIGLEY AND OTHERS AT ANACONDA. IF ANACONDA IS WILLING, CLARO THOUGHT THIS WOULD BE VERY USEFUL.
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6. CLARO ALSO MENTIONED THAT HE HAD TALKED RECENTLY WITH ALFONSO RACEDO, THE BUENOS AIRES REPRESENTATIVE OF THE BANK OF MONTREAL. RACEDO TOLD HIM HE HAD RECENTLY TAKEN A TRIP TO SANTIAGO AND HAD DISCUSSED SOME SORT OF \$200 MILLION LOAN WHICH COULD BE TIED INTO A RESOLUTION OF THE COPPER PROBLEM. APPARENTLY THIS WAS CONNECTED WITH THE PLANS AND INTERESTS OF A CONSORTIUM OF CANADIAN AND POSSIBLY OTHER BANKS. (I EXPECT RACEDO WAS PURSUING A VARIANT OF THE LEVIN-RICHARDSON-WOLFENSON IDEA- (SANTIAGO 3623.) OBVIOUSLY, CLARO WAS INTERESTED IN THE RACEDO IDEA AS A POSSIBLE WAY OF FINANCING COMPENSATION WITHOUT THE IMMEDIATE NECESSITY OF CHILE PAYING OUT LARGE SUMS OF MONEY, WHICH IT DID NOT HAVE.

7. ACTION REQUESTED: CLARO AND HUERTA WOULD BE
MOST GRATEFUL FOR ANY REACTIONS OR INDICATIONS OF ATTITUDE I
COULD PASS ON TO THEM IN THE NEXT DAY OR TWO. CLEARLY THEY
ARE GOING TO BE LOOKING AT KENNECOTT'S POSTURE TOWARD THEIR
REQUEST FOR A MONTH'S POSTPONEMENT IN ROME AS AN INDICATION
OF KENNECOTT'S GOOD WILL AND DESIRE TO
WORK SOMETHING OUT.
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